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## **FORMER ENRON BROADBAND CO-CHIEF EXECUTIVE OFFICER PLEADS GUILTY TO WIRE FRAUD**

WASHINGTON – Joseph Hirko, former co-chief executive officer of Enron Broadband Services (EBS), Enron's failed telecommunications business, pleaded guilty today to wire fraud, Acting Assistant Attorney General Matthew Friedrich of the Criminal Division and Assistant Director Kenneth W. Kaiser of the FBI Criminal Investigative Division announced.

Hirko, 52, of Portland, Ore., pleaded guilty to one count of a superseding indictment charging him with wire fraud before Judge Vanessa Gilmore at U.S. District Court in Houston. According to the terms of the plea agreement, Hirko faces a maximum sentence of 16 months in prison and a fine of up to \$250,000. Sentencing has been scheduled for March 3, 2009. As part of his plea agreement, Hirko agreed to cooperate fully with the government's ongoing criminal investigation of individuals formerly employed at EBS. In addition, Hirko agreed to forfeit approximately \$8.7 million in restitution to the Enron victims through the U.S. Securities and Exchange Commission's Enron Fair Fund.

In July 2005, Hirko and four other EBS executives were tried on various charges of conspiracy to commit securities and wire fraud, securities fraud, wire fraud, insider trading and money laundering relating to their employment at Enron. The trial resulted in a mistrial, and Hirko was subsequently charged in a new indictment with wire fraud, securities fraud and insider trading.

As described in the superseding indictment and the plea agreement, Hirko participated at Enron's annual analyst conference in Houston at which Jeffrey Skilling, Enron's former chief executive officer, introduced EBS as one of Enron's "core" units. Skilling also announced the development of a broadband operating system or "BOS." According to the superseding indictment, the BOS was meant to be an "intelligent" operating system that would, among other things, automatically find the most optimal path to deliver data on Enron's network, a process Enron dubbed "dynamic routing," link Enron's network to other networks and provide guaranteed levels of service.

As alleged in the superseding indictment, Enron issued a press release on May 15, 2000, announcing the acquisition of Warpspeed Communications. According to the plea agreement, the press release falsely represented the status of the BOS and implied that it was already embedded and functioning as a part of Enron's network; in particular, the press release stated that the BOS "allows application developers to dynamically provision bandwidth on demand for the end-to-end quality of service necessary to deliver broadband content." The plea agreement states that Hirko reviewed and, with a reckless indifference to the true facts, approved this language even though the press release contained material inaccurate representations of the BOS's status. Hirko admitted that he knew the BOS was under development throughout his employment at Enron, was never embedded on Enron's network and could not dynamically provide bandwidth on demand or provide for the end-to-end quality of service necessary to deliver broadband content. According to the plea agreement, Hirko's approval of this press release, as well as other press releases, assisted in maintaining Enron's overall stock price, thereby improperly maintaining the value of Hirko's holdings of Enron stock.

"Today's plea closes another chapter in the Enron scandal," said Acting Assistant Attorney General Matthew Friedrich. "According to admissions made by Mr. Hirko as a part of his plea, he played a part in disseminating misstatements about the technical viability of Enron's Broadband Services Division, and shareholders were left holding the bag."

"Mr. Hirko not only deceived his colleagues and investors about Enron's 'core' broadband unit, but his actions had a greater impact on our nation's economy and resulted in the eventual erosion of numerous retirement nest eggs," said Assistant Director Kenneth W. Kaiser, FBI Criminal Investigative Division. "The FBI remains committed to bringing to justice those responsible for corporate fraud and restoring the public's confidence in our economy."

This case is being prosecuted by attorneys Jonathan E. Lopez, Jack B. Patrick and Liam B. Brennan of the Criminal Division's Fraud Section.

Charges against the EBS employees were initially brought in March 2003 by the Enron Task Force, a team of federal prosecutors and agents formed to investigate matters related to the collapse of Enron Corp. All remaining Enron Task Force cases are now being handled by the Criminal Division's Fraud Section, with the investigatory assistance of the FBI.

Enron Corp., at one time the seventh-ranked company in the United States with stock trading as high as \$80 per share in August 1999, filed for bankruptcy protection on Dec. 2, 2001, and its stock became virtually worthless.

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